REPORT OF THE
DEPARTMENT OF RAIL AND PUBLIC TRANSPORTATION

The Incorporation of Certain Management Principles into Public Transportation Programs

TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA

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COMMONWEALTH of VIRGINIA

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June 30, 2009

The Honorable Timothy M. Kaine
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Richmond, Virginia 23219

Virginia General Assembly
General Assembly Building
Richmond, VA 23219

Commonwealth Transportation Board
1401 E. Broad St.
Richmond, VA 23219

Ladies and Gentlemen:

Item 449.E. of the 2008 Virginia Acts of Assembly, provides that "…the principles of local maintenance of effort, transit sustainability, public benefit, and asset management shall be incorporated into all public transportation programs" by the Virginia Department of Rail and Public Transportation (DRPT). I am pleased to report that DRPT has successfully established and implemented processes that incorporate the aforementioned principles as part of the allocation process for public transportation programs.

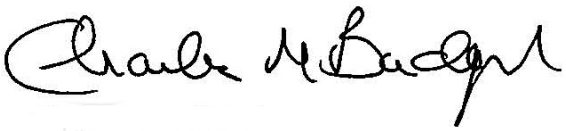
The Commonwealth's funding commitment to public transportation has grown significantly in the past several years, and DRPT has devoted significant time and resources over the past two years to bring the agency's transit programs to a new level of transparency and accountability. These new processes are based on the Transit Sustainability and Investment Policy adopted by the Commonwealth Transportation Board (CTB) on October 16, 2008. This policy provides a framework for the efficient and effective expenditure of transit funds in order to achieve the highest return on investment of Commonwealth resources. A copy of this policy is attached.

This policy is intended to assist the CTB, policymakers and stakeholders in their reviews and decision making processes for transit funding requests submitted to DRPT through the use of

specific evaluation tools. These evaluation tools are described in detail in the attached documents. A flowchart has also been provided to illustrate the public transportation funding allocation process, including the role of each of these new policies and processes. In the development of these new policies and processes, DRPT has ensured consistency with federal policies and procedures defined by the Federal Transit Administration.

DRPT appreciates the opportunity to respond to the direction provided in the 2008 Acts of Assembly and will continue working with transit operators to improve upon the processes that have been implemented and ensure the best return on the Commonwealth's investment in transit.

Sincerely,



Charles M. Badger
Director

cc: Honorable Pierce R. Homer, Secretary of Transportation

PREFACE

Item 449.E. of the 2008 Virginia Acts of Assembly provides that "…the principles of local maintenance of effort, transit sustainability, public benefit, and asset management shall be incorporated into all public transportation programs" by the Virginia Department of Rail and Public Transportation (DRPT).

DRPT has successfully incorporated these principles into all public transportation programs. This report provides an overview of DRPT's process in ensuring compliance with this provision.

TABLE OF CONTENTS

Transit Sustainability and Investment Policy 1

Flow Chart of Six Year Improvement Program Allocation Process.....4

Transit Sustainability and Investment Policy Tools 5

COMMONWEALTH of VIRGINIA

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Pierce R. Homer
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CTB POLICY STATEMENT

Transit Sustainability and Investment Policy

Purpose

The purpose of this policy is to provide guidance regarding the allocation of transit funds.

Policy

The CTB supports the efficient operation and improvement of transit service throughout Virginia, including transit initiatives that are responsive to market needs, provide the highest and best use of funds, increase transit ridership, and improve the environment and quality of life for Virginians. Accordingly, the CTB shall consider the following goals and principles of transit sustainability, asset management, local maintenance of effort and public benefit in the allocation of public funds for transit.

- Policy Goals:
  - Increase transit ridership per capita by at least 3% annually
  - Maintain existing transit assets as the first funding priority
  - Support improved land use, protect the environment and maximize the use of available funding

- Core Principles:
  - Develop a financially sustainable transit program
  - Match new investments with quantifiable service needs and local commitments
  - Improve transportation system integration and efficiency
  - Improve quality of life for Virginians

- Asset Management:
  - The asset management system shall support the development of a statewide transit and human service capital replacement and improvement program. Beginning in FY2010, DRPT shall submit a report to the CTB on asset management in the early development stages of the annual Six-Year Improvement Program.

- Service Design Guidelines:
    - Service design guidelines shall provide guidance on the actions and conditions necessary to effectively implement and operate various modes of transit service. Accordingly, service design guidelines shall be used to evaluate proposals to implement new transit services. Guidelines shall focus on matching transportation needs with project proposals, with emphasis on a number of key criteria that help ensure success for the proposed mode. Guidelines shall help to determine if the proposed mode is the most feasible and appropriate mode for the market and operational environment, and if the proposed mode is the most cost effective option.

- Capital Project Programming and Evaluation Process:
    - All proposed transit projects shall include sufficient justification for funding and shall clearly address an identified transit need. Proposed projects shall include an implementation plan that adequately addresses the need for any necessary clearances and approvals. Proposed projects shall be advanced to a state of readiness for implementation in the target year indicated in the grant application. A project shall be considered ready if grants for the project can be obligated and the project can be initiated within one year of the award date, or in the case of larger construction or procurement projects, obligated according to an accepted implementation schedule.
    - To be eligible for replacement or rehabilitation, transit assets shall have reached the end of their useful life or the appropriate rehabilitation interval as specified by the Federal Transit Administration. Exceptions may be considered if unforeseen circumstances result in irreparable damage to a transit asset, if a grantee has secured approval by the Federal Transit Administration or, in the case of projects that do not receive federal funds, if the transit operator provides sufficient justification in terms of safety, security or financial rationale.
    - All project requests submitted for transit capital funding shall be categorized by project category in accordance with DRPT's allocation process, which is detailed in program guidance.
    - All new projects exceeding $2 million and/or that involve construction of transit facilities to include fixed guideway systems shall conform to threshold requirements detailed in program guidance before the project may be considered eligible for state funding.

- Transit Operating Maintenance of Effort Requirement:
    - The maintenance of effort requirement is intended to ensure that total public investment in each transit system in Virginia is either maintained or expanded each year in accordance with the level of transit service operated.
    - This requirement will be evaluated based on a two-tiered evaluation process.

- The first tier will examine the miles of revenue service that will be operated by the transit system based on their proposed budget. If the number of proposed revenue miles is the same or greater than the number of revenue miles currently operated, the maintenance of effort requirement will have been met.
- If the number of proposed revenue miles is less than the number currently operated by the transit system, a second tier evaluation will be conducted. This evaluation will establish if local funding for a transit system has been maintained from the previous year. The sum of anticipated operating revenues and local subsidy for the upcoming grant year will be compared to the same calculation for the current year. If the sum of anticipated operating revenues and local subsidy for the upcoming grant year is greater than the same calculation for the current year, the maintenance of effort requirement will have been met.

- If both of these requirements are unmet, then the operator's funding allocation will be reduced until local funding levels as calculated in the second tier evaluation are maintained.

- Program Guidance:
  - DRPT shall develop and maintain program guidance that explains and supports this policy for each federal and state transit financial assistance program administered by DRPT. These guidelines shall be made available to all existing recipients of state transit funding and to the general public.

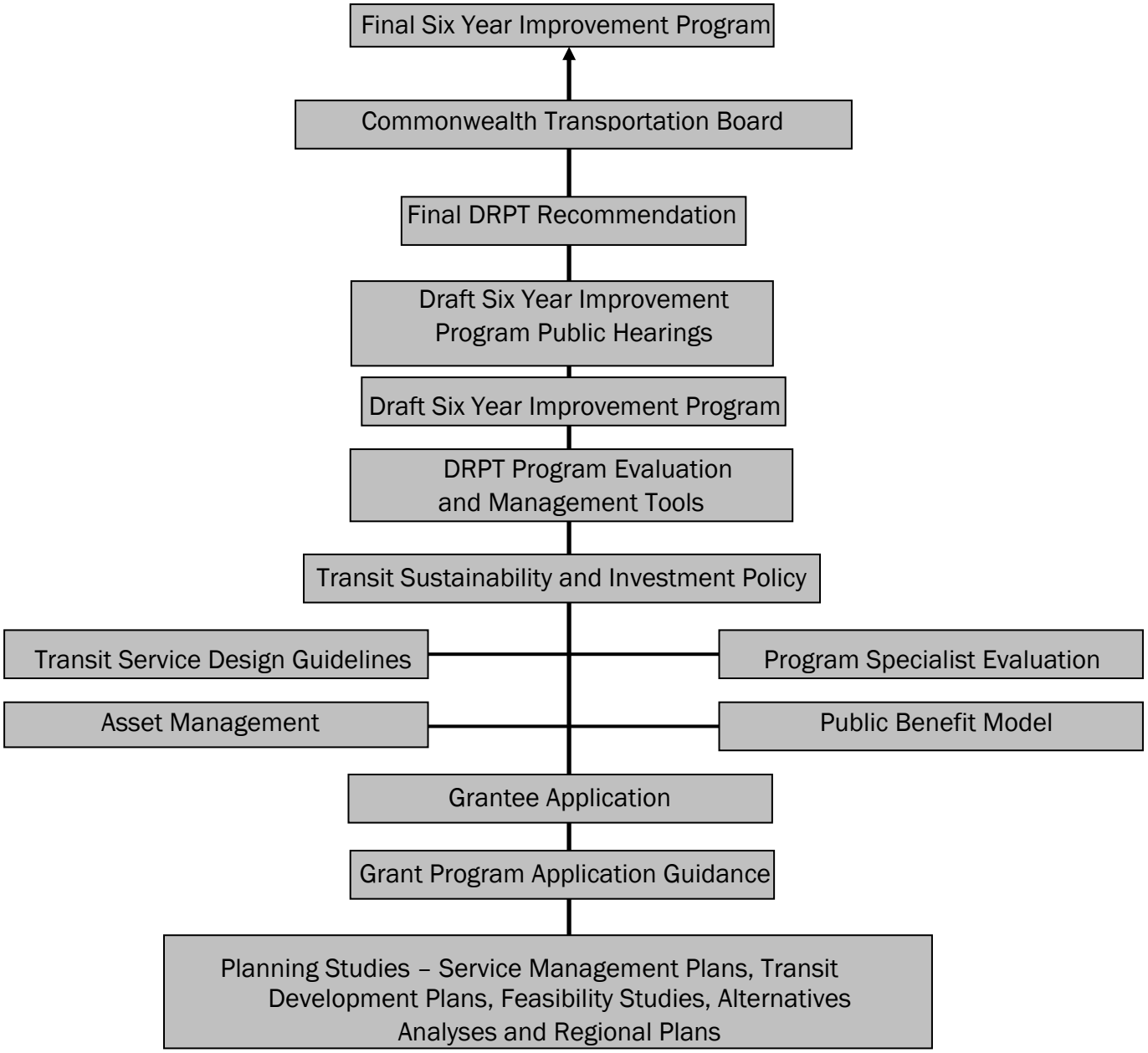
- Public Benefit:
  - DRPT shall evaluate the public benefits of major transit capital projects considered to be new starts for transit service.
  - DRPT shall evaluate the public benefits of the entire transit program on an annual basis to demonstrate the return on investment for transit.

- The Commonwealth Transportation Board has the right to exercise discretion in the implementation of this policy.

Effective Date

The effective date of this policy is immediately upon passage by the CTB.

Flowchart of Six Year Improvement Program Allocation Process



Transit Sustainability and Investment Policy Tools

- **Asset Management** is the strategic and systematic process developed to ensure the effective maintenance, preservation and improvement of transit physical assets, such as vehicles and facilities, throughout their lifecycles. To incorporate this principle into the allocation process of Commonwealth public transportation funding, DRPT has developed a program to analyze existing assets for all of the public transportation operators in Virginia. The analysis tool allows DRPT to run scenarios based on various funding levels and various replacement age targets for each asset. Additionally, the system projects capital needs for these assets over the next twenty-five years. The forecast needs are shared with transit operators to assist them in developing realistic six year capital plans. In order to populate the asset data needed for this analytical tool, DRPT created a web site for asset inventory data collection that all transit operators use to enter their asset information. This database is a valuable source of statewide transit asset information and trend analysis. A copy of the Program Application Guidance document which refers to this process is available at: https://olga.drpt.virginia.gov/instructions/files/DRPTGrant%20Program%20Application%20Guidance%20-%20Final.pdf

  For the Fiscal Year 2010 allocation process, DRPT compared program applications to the database to ensure that requests for replacing existing assets were eligible for funding.

- **Transit Service Design Guidelines** provide guidance on the actions and conditions necessary to effectively implement and operate new transit service. These guidelines, completed in November 2008, help local governments, transit operators and the public to better understand the types of transit systems and services that are available to meet community and regional transportation needs. The guidelines also help DRPT in making recommendations to the Commonwealth Transportation Board for transit investments, by 1) providing information on the types of systems or services that are best matched to community needs and local land use decisions, and 2) ensuring that resources are used effectively to achieve local, regional and Commonwealth goals. A copy of the Transit Service Design Guidelines document is available online at the following link: https://olga.drpt.virginia.gov/instructions/files/Transit%20Service%20Design%20Guidelines%20-%20FINAL.pdf

  For the Fiscal Year 2010 allocation process, DRPT evaluated program applications for new transit service against the Transit Service Design Guidelines to determine if the applicant had met the conditions necessary to advance new transit service.

- **Operating Maintenance of Effort** requires that local spending on transit operations is maintained from year to year. This principle seeks to ensure that increased Commonwealth funding for transit operations is applied to improve transit operations – not to replace local transit funding. This principle was implemented in the FY 2009 allocation process, which coincided with the dedication of a portion of the recordation tax to transit operations. This provision only applies when there is an increase in state transit operating funds. A copy of the Program Application Guidance document which refers to this principle is available at: https://olga.drpt.virginia.gov/instructions/files/DRPTGrant%20Program%20Application%20Guidance%20-%20Final.pdf

For the Fiscal Year 2010 allocation process, DRPT evaluated program applications and determined that the requirement did not apply since transit operating funds did not increase.

- A **Public Benefit Model** has been developed to calculate the return on investment, gallons of fuel saved, emissions reductions and other benefits to be achieved through major new transit projects. This tool is utilized to evaluate significant new transit capital projects ($2 million and greater). A copy of the Program Application Guidance document which refers to this model is available at the following link: https://olga.drpt.virginia.gov/instructions/files/DRPTGrant%20Program%20Application%20Guidance%20-%20Final.pdf

  For the Fiscal Year 2010 allocation process, one program application met the threshold for evaluation using the public benefit model. The results of the evaluation indicate that the anticipated public benefits would exceed the estimated cost of the project. The results of the public benefit analyses for applicable projects are included as part of DRPT's presentation of proposed projects in the annual update to the Six-Year Improvement Program.

- Improved **Program Application Guidance** was developed to improve the transparency of the DRPT administered transit programs and the standardization of the transit grant allocation process. More importantly, transit operators now have more detailed guidance information to apply for state transit funds. A copy of the Program Application Guidance document is available at the following link: https://olga.drpt.virginia.gov/instructions/files/DRPTGrant%20Program%20Application%20Guidance%20-%20Final.pdf

  For the Fiscal Year 2010 allocation process, updated Program Application Guidance was reviewed with potential applicants at grantee workshops held across the Commonwealth. Based on their feedback, a final Program Application Guidance document was published prior to the beginning of the application period.

DRPT
Virginia Department of Rail and Public Transportation
The Smartest Distance Between Two Points